

## FCC Takes Action Against “Whipsawing” in the Philippines

Be aware that the Federal Communications Commission (FCC) has taken action to resolve a problem relating to international calls between the United States and the Philippines – “whipsawing” on the U.S.-Philippines route.

### What is “Whipsawing?”

“Whipsawing” is a form of anti-competitive behavior by a foreign carrier where foreign carriers play competing U.S. carriers against one another in order to gain concessions and benefits for themselves (the foreign carriers). “Whipsawing” can cause:

- greater service costs for U.S. carriers;
- higher international phone rates;
- poor service quality; and
- interruption in service for consumers.

“Whipsawing” is contrary to the public interest. It prevents U.S. carriers from negotiating lower rates, to the detriment of U.S. consumers. It also violates the Commission’s International Settlements Policy (ISP). ISP is intended to protect U.S. carriers from anti-competitive behavior by carriers on the foreign end of a U.S.-international route.

### Background

In early 2003, several Philippine carriers disrupted the service of AT&T Corp. (“AT&T”) and WorldCom, Inc. (“WorldCom”) by blocking the traffic of those two companies’ into the Philippines. The Philippine carriers took these actions in retaliation for AT&T’s and WorldCom’s refusals to agree to the Philippine carriers’ demand for substantial rate increases to use the Philippine carriers’ networks. The raised rates were for calls to both fixed-line networks (wired telephones) and calls to wireless phones. The Philippine carriers did not retaliate against carriers that **agreed** to pay the demanded rate increases. The FCC said this was a case of “whipsawing.”



## FCC Protection

AT&T and WorldCom filed petitions with the FCC alleging anticompetitive “whipsaw” conduct. As a result of the Philippine carriers’ actions, the FCC issued an order to protect U.S. carriers from “whipsawing” and prevent further network disruptions which could harm U.S. consumers. The order directs all U.S. carriers using telecommunications networks on the U.S.-Philippines route, to suspend all payments for services to Philippine carriers, until all circuits and service are restored on the U.S.-Philippines route.

## Questions

If you have questions or need more specific information about international calls and rates between the U.S. and the Philippines, contact your international service carrier.

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